

THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION - DETROIT

In re:)	
)	Chapter 9
CITY OF DETROIT, MICHIGAN,)	Case No. 13-53846
)	
Debtor.)	Hon. Thomas J. Tucker
)	
CITY OF DETROIT, MICHIGAN,)	Adv. Pro. No. 15-____ (____)
)	
Plaintiff,)	
)	
- against -)	
)	
SPRINT,)	
)	
Defendant.)	
)	

**COMPLAINT TO (I) AVOID AND RECOVER AVOIDABLE
TRANSFERS AND (II) DISALLOW CLAIMS**

The City of Detroit, Michigan (the "City" or "Plaintiff"), by and through its undersigned counsel, makes this Complaint to avoid and recover certain transfers made by Plaintiff to or for the benefit of Sprint ("Defendant"), and respectfully alleges:

NATURE OF THE ACTION

1. This is an adversary proceeding to avoid and recover transfers made by the City prior to the commencement of the City's bankruptcy case and to disallow claims asserted against the City in favor of Defendant. Specifically, Plaintiff seeks entry of a judgment against Defendant: (i) avoiding transfers pursuant to 11 U.S.C. § 547(b); (ii) directing Defendant to pay an amount to be determined at trial that is not less than the amount of avoidable transfers, plus interest and costs, pursuant to 11 U.S.C. § 550(a); and (iii) disallowing any claims filed by Defendant against the City

unless and until Defendant returns the avoidable transfers to Plaintiff pursuant to 11 U.S.C. § 502(d).

JURISDICTION AND VENUE

2. This adversary proceeding relates to the Chapter 9 case of the City, Case No. 13-53846, pending in the United States Bankruptcy Court for the Eastern District of Michigan, Southern Division (the “Court”).

3. This adversary proceeding is brought pursuant to Rule 7001 *et seq.* of the Federal Rules of Bankruptcy Procedure and 11 U.S.C. §§ 502(d), 547(b) and 550(a).

4. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334.

5. This adversary proceeding constitutes a core proceeding pursuant to 28 U.S.C. § 157(b)(F).

6. Plaintiff consents to entry of a final order by the Court in this adversary proceeding.

7. Venue in this district is proper pursuant to 28 U.S.C. § 1409.

FACTUAL BACKGROUND AND THE PARTIES

8. On July 18, 2013 (the “Petition Date”), the City filed a voluntary petition for relief under Chapter 9 of title 11 of the United States Code (the “Bankruptcy Code”).

9. On December 5, 2013, the Court determined that the City was eligible to be a debtor under Chapter 9 of the Bankruptcy Code and entered an Order for Relief under Chapter 9 of the Bankruptcy Code.

10. On October 22, 2014, the City filed the *Eighth Amended Plan for the Adjustment of Debts of the City of Detroit* (the “Plan”) [Docket No. 8045].

11. The Plan provided, among other things, that the City would retain and enforce all claims, rights and Causes of Action, as defined in the Plan, to include the causes of action set forth in this Complaint. *See* Plan, Article III(D)(2).

12. The City expressly preserved the right to assert any Cause of Action against Defendant by identifying Defendant in the City's nonexclusive schedule of parties against whom Causes of Action could be asserted. *See* Plan Exhibit III.D.2 [Docket No. 8192].

13. On November 12, 2014, the Court entered an Order confirming the Plan [Docket No. 8649].

14. The Effective Date of the Plan occurred on December 10, 2014 [Docket No. 8649].

15. Plaintiff is a Michigan municipal corporation located in Wayne County.

16. Defendant is an entity that supplied goods and/or services to Plaintiff.

17. Plaintiff and Defendant entered into agreements, evidenced by invoices, communications and other documents, pursuant to which Plaintiff and Defendant conducted business with one another.

18. During the 90-day period preceding the Petition Date, Plaintiff made one or more transfers to or for the benefit of Defendant (the "Transfers"), in the amounts set forth in the schedule which is attached hereto as Exhibit A and which is incorporated by reference herein.

CLAIMS FOR RELIEF

FIRST CAUSE OF ACTION

(Avoidance of Preferential Transfers Pursuant to 11 U.S.C. § 547(b))

19. Plaintiff incorporates by reference the allegations set forth in paragraphs 1 through 18 of this Complaint as though set forth at length herein.

20. The Transfers were transfers of an interest in Plaintiff's property.

21. At the time each of the Transfers was made, Defendant was a creditor of Plaintiff by virtue of having supplied goods and/or services for which Plaintiff was obligated to pay.

22. The Transfers were made on account of one or more antecedent debts owed to Defendant by Plaintiff before such Transfers were made.

23. The Transfers were made by Plaintiff to, or for the benefit of, Defendant because each Transfer either reduced or fully satisfied a debt or debts then owed by Plaintiff to Defendant.

24. Plaintiff is entitled to the presumption of insolvency pursuant to section 547(f) of the Bankruptcy Code.

25. The Transfers were made while Plaintiff was insolvent.

26. Plaintiff estimates that its general unsecured creditors will recover less than the full value of their allowed claims under the Plan.

27. The Transfers enabled Defendant to receive more than Defendant would receive if (a) the Transfers had not been made, and (b) Defendant received payment of such debt to the extent provided by the provisions of the Bankruptcy Code and the Plan.

28. Defendant was the initial transferee of the Transfers, the entity for whose benefit the Transfers were made, or was the immediate or mediate transferee of the initial transferee receiving the Transfers.

29. By reason of the foregoing, the Transfers are avoidable pursuant to section 547(b) of the Bankruptcy Code.

SECOND CAUSE OF ACTION
(Recovery of Avoided Transfers Pursuant to 11 U.S.C. § 550(a))

30. Plaintiff incorporates by reference the allegations set forth in paragraphs 1 through 29 of this Complaint as though set forth at length herein.

31. Defendant was the initial transferee of the Transfers, the entity for whose benefit the Transfers were made, or was the immediate or mediate transferee of the initial transferee receiving the Transfers.

32. The value of the Transfers, to the extent they are avoided pursuant to section 547(b) of the Bankruptcy Code, may be recovered by Plaintiff pursuant to section 550(a) of the Bankruptcy Code.

THIRD CAUSE OF ACTION
(Disallowance of Claims Pursuant to 11 U.S.C. § 502(d))

33. Plaintiff repeats, realleges and incorporates by reference the allegations contained in paragraphs 1 through 32 of this Complaint as though set forth at length herein.

34. Defendant is the recipient of the Transfers, which are recoverable pursuant to sections 547 and 550 of the Bankruptcy Code, and Defendant has not returned the Transfers to Plaintiff.

35. Pursuant to section 502(d) of the Bankruptcy Code, the Court shall disallow any claims of any entity from which property is recoverable under section 550(a) of the Bankruptcy Code.

36. Because Defendant has not paid or returned the Transfers to Plaintiff, any and all claims of Defendant must be disallowed unless and until the amount of Transfers are returned to the City.

WHEREFORE, Plaintiff requests that this Court enter judgment in its favor and against the Defendant:

a. In favor of Plaintiff and against Defendant in an amount not less than the Transfers, plus interest from the date of such Transfers until full payment is made to Plaintiff, together with the costs and expenses of this action, including, without limitation, attorneys' fees, and directing Defendant to turnover such sum to Plaintiff pursuant to sections 547(b) and 550(a) of the Bankruptcy Code;

b. In favor of Plaintiff and against Defendant disallowing any claims filed by Defendant in the City's bankruptcy case unless and until Defendant returns the Transfers to Plaintiff pursuant to section 502(d) of the Bankruptcy Code; and

c. Granting such other and further relief as this Court may deem just and proper.

DATED: November 30, 2015

TOGUT, SEGAL & SEGAL LLP
By:

/s/ Albert Togut

ALBERT TOGUT (AT-9759)
NEIL BERGER (NB-3599)
Members of the Firm
One Penn Plaza, Suite 3335
New York, New York 10119
(212) 594-5000

Counsel for the City of Detroit, Michigan

EXHIBIT A
CITY OF DETROIT, MICHIGAN

vs.

SPRINT

<u>Date of Transfer</u>	<u>Check No.</u>	<u>Transfer Amount</u>	<u>Transfer Type</u>
5/7/2013	3264895	\$44.04	CHECK
5/7/2013	3264896	\$12.10	CHECK
5/7/2013	3264897	\$50.16	CHECK
5/7/2013	3264898	\$49.75	CHECK
5/7/2013	3264899	\$12.10	CHECK
5/7/2013	3264900	\$12.10	CHECK
5/7/2013	3264901	\$12.10	CHECK
5/7/2013	3264902	\$39.38	CHECK
5/7/2013	3264903	\$12.10	CHECK

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5/7/2013	3264904	\$17.06	CHECK
5/7/2013	3264905	\$24.50	CHECK
5/7/2013	3264906	\$12.10	CHECK
5/7/2013	3264907	\$12.10	CHECK
5/7/2013	3264908	\$63.88	CHECK
5/7/2013	3264909	\$12.10	CHECK
5/7/2013	3264910	\$12.10	CHECK
5/7/2013	3264911	\$12.10	CHECK
5/7/2013	3264912	\$12.10	CHECK

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5/7/2013	3264913	\$19.93	CHECK
5/7/2013	3264914	\$13.97	CHECK
5/7/2013	3264915	\$22.81	CHECK
5/7/2013	3264916	\$20.71	CHECK
5/8/2013	3266015	\$2,386.23	CHECK
5/8/2013	3266016	\$2,731.80	CHECK
5/8/2013	3266017	\$7,411.43	CHECK
5/13/2013	3266014	\$5,554.25	CHECK
5/13/2013	3266513	\$24.14	CHECK

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5/13/2013	3266514	\$24.14	CHECK
5/13/2013	3266515	\$24.14	CHECK
5/13/2013	3266516	\$78.99	CHECK
5/13/2013	3266517	\$24.14	CHECK
5/13/2013	3266518	\$34.04	CHECK
5/13/2013	3266519	\$48.89	CHECK
5/13/2013	3266520	\$24.14	CHECK
5/13/2013	3266521	\$24.14	CHECK
5/13/2013	3266522	\$27.55	CHECK

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5/13/2013	3266523	\$24.14	CHECK
5/13/2013	3266524	\$24.14	CHECK
5/13/2013	3266525	\$24.14	CHECK
5/13/2013	3266526	\$24.14	CHECK
5/13/2013	3266527	\$31.97	CHECK
5/13/2013	3266528	\$32.75	CHECK
5/13/2013	3266529	\$36.24	CHECK
5/13/2013	3266530	\$38.37	CHECK
5/13/2013	3266531	\$44.74	CHECK

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5/13/2013	3266532	\$40.77	CHECK
5/16/2013	3266512	\$5,319.07	CHECK
5/29/2013	3267965	\$3,814.06	CHECK
6/5/2013	3269869	\$21.92	CHECK
6/5/2013	3269870	\$12.04	CHECK
6/5/2013	3269871	\$24.39	CHECK
6/6/2013	3268675	\$40.00	CHECK
6/6/2013	3268769	\$1,396.43	CHECK
6/6/2013	3269499	\$1,093.51	CHECK

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6/12/2013	3269868	\$3,865.93	CHECK
6/12/2013	3269872	\$13.45	CHECK
6/13/2013	3270299	\$21.92	CHECK
6/13/2013	3270300	\$12.04	CHECK
6/13/2013	3270301	\$12.04	CHECK
6/13/2013	3270302	\$12.04	CHECK
6/18/2013	3264917	\$77.07	CHECK
6/19/2013	3270622	\$1,341.78	CHECK
6/20/2013	3270865	\$7.28	CHECK

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6/20/2013	3270866	\$8.38	CHECK
6/24/2013	3270867	\$1,554.55	CHECK
6/25/2013	3271416	\$37.51	CHECK
6/26/2013	2019168	\$1,270.61	CHECK
6/27/2013	3271415	\$955.98	CHECK
7/8/2013	3272342	\$21.92	CHECK
7/8/2013	3272343	\$12.04	CHECK
7/8/2013	3272345	\$11.98	CHECK
7/8/2013	3272346	\$11.98	CHECK

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7/8/2013	3272347	\$11.98	CHECK
7/8/2013	3272348	\$39.04	CHECK
7/8/2013	3272349	\$11.98	CHECK
7/8/2013	3272350	\$16.90	CHECK
7/8/2013	3272351	\$11.98	CHECK
7/8/2013	3272352	\$11.98	CHECK
7/8/2013	3272353	\$11.98	CHECK
7/8/2013	3272354	\$11.98	CHECK
7/8/2013	3272355	\$11.98	CHECK

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7/8/2013	3272356	\$11.98	CHECK
7/8/2013	3272357	\$4.15	CHECK
7/8/2013	3272359	\$12.04	CHECK
7/8/2013	3272360	\$19.35	CHECK
7/8/2013	3272361	\$12.97	CHECK
7/8/2013	3272362	\$20.69	CHECK
7/8/2013	3272363	\$39.48	CHECK
7/9/2013	3272358	\$3.37	CHECK
7/11/2013	3272344	\$475.19	CHECK

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<u>Date of Transfer</u>	<u>Check No.</u>	<u>Transfer Amount</u>	<u>Transfer Type</u>
7/11/2013	3272711	\$21,082.43	CHECK
7/17/2013	3273025	\$116.99	CHECK
TOTAL:		\$62,147.07	

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